

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6195

BILL NUMBER: SB 91

NOTE PREPARED: Apr 12, 2013

BILL AMENDED: Apr 11, 2013

SUBJECT: Motorsports Investment District.

FIRST AUTHOR: Sen. Young R Michael

FIRST SPONSOR: Rep. T. Brown

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill contains the following provisions:

Horse Racing Support: The bill authorizes horse racing associations and racino licensees to negotiate the amount of slot machine receipts used to support the horse racing industry. It provides that the agreement must require between 9% and 11% of the licensee's adjusted gross receipts.

Motorsports Investment Programs: It establishes the Indiana Motorsports Commission (IMC). It allows the IMC to adopt a resolution establishing a Motorsports Investment District (MID). The bill specifies that the budget committee shall review and make a recommendation to the State Budget Agency regarding the resolution. It specifies that the maximum amount of revenue allocated to the MID in a state fiscal year may not exceed \$5.0 M. The bill provides that the Indiana Finance Authority (IFA) may issue bonds for the purpose of obtaining money to pay the cost of improving, constructing, reconstructing, renovating, acquiring, or equipping improvements within a qualified motorsports facility.

The bill provides that the amounts allocated to the MID are loans that will be repaid from the growth in sales tax and individual adjusted gross income tax revenue realized within the MID and from an admissions fee imposed on race day admissions to a qualified motorsports facility.

It requires goals for participation in the procurement and contracting process involved with a MID by minority business enterprises of 15%, women's business enterprises of 8%, and veteran or disabled business enterprises of 3%, consistent with the goals of delivering projects on time and within budget.

Effective Date: Upon passage; July 1, 2013; January 1, 2014.

Explanation of State Expenditures: *Horse Racing Support:* The bill authorizes the horsemen's associations and racino licensees to negotiate the amount of slot machine adjusted gross receipts (AGR) used to support the horse racing industry beginning after July 1, 2013. The agreement must provide for the distribution of between 9% and 11% of a licensee's slot machine AGR. The agreement is subject to the approval of the Indiana Horse Racing Commission. Assuming the parties agree to a 10% rate, the allocation for horse racing support will be reduced by \$10 M beginning in FY 2015. [Current statute requires each racino licensee to distribute 15% of its slot machine AGR to various purposes relating to the horse racing industry.]

Motorsports Investment Programs: Summary - The bill establishes the Motorsports Investment District (MID) as the geographic area within the Indianapolis Motor Speedway (IMS), areas adjacent to the IMS that are related to the operation of the IMS or owned by the same owner. The bill stipulates the Indiana Motor Sports Commission (IMC) will determine the geographic area of the MID within its resolution establishing the MID. The IMC must submit the resolution to the State Budget Agency and, upon review by the State Budget Committee, the State Budget Agency is to approve the resolution. The MID may not exist longer than 20 years. The bill limits the amount of money to be allocated to the IMC's Motor Sports Investment District Fund to \$5.0 M per fiscal year, so the maximum lifetime allocation to the MID is \$100 M. The bill specifies that the money in the fund will be used by the IMC to repay bonds issued to finance real and personal property improvements at IMS. The bill also authorizes the IMC to loan money from the fund to IMS to pay debt service relating to such improvements. The IMC will acquire a security interest in each personal property improvement financed.

Motorsports Investment Programs: Additional Information -

Department of State Revenue (DOR): The DOR will incur additional expenses to implement the provisions of the bill. They will administer the Motorsports Investment District Fund. The DOR will implement an admissions fee on race day admissions at IMS. They will also determine the amount of incremental sales and income tax realized within the district to be credited towards the repayment of loans made to the IMS. The DOR has expertise administering similar tax capture areas like Community Revitalization Enhancement Districts (CREds), Certified Technology Parks, and Professional Sports Development Areas (PSDAs). The DOR's current level of staff and resources should be sufficient to implement the provisions within the bill.

Indiana Economic Development Corporation (IEDC): The IEDC will administer the Motorsports Improvement Program and Fund (MIPF). The IEDC will receive applications, determine interest rates, and approve loans to motorsports enterprises. The IEDC's current level of staff and resources should be sufficient to implement the MIPF.

Indiana Finance Authority (IFA): The IFA has been granted the authority to issue bonds for the purpose of covering the cost of improving, constructing, reconstructing, renovating, acquiring, or equipping structures and capital improvements within the IMS. In addition, the IFA is required to provide staff support for the IMC and pay all expenses of the IMC from their appropriated funds. The IFA's current staff and resources should be sufficient to implement the provisions of the bill.

Indiana Motorsports Commission (IMC): The bill establishes the IMC which is to establish by resolution the

MID and oversee the investments made within the MID. The IMC is governed by a board comprised of 5 members. The budget director and 4 other individuals, appointed by the Governor, will serve on the board for staggered periods of 4 years. The board will not receive salary per diem, but they may be reimbursed for travel expenses.

State Budget Agency (SBA): The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Motorsports Improvement Program and Fund (MIPF): The MIPF is a revolving fund used to provide loans to motorsports enterprises to enhance Indiana's motorsports industry. Motorsports enterprises includes racing facilities and businesses involved in the motorsports industry. It does not include IMS, temporary racing facilities, the state fairgrounds, or county fairgrounds. The fund consists of appropriations and loan repayments. The program begins in FY 2014.

Explanation of State Revenues: Motorsports Investment Programs: Summary - The bill stipulates that the amounts allocated to the IMS are loans that will be repaid from: (1) incremental sales tax revenue remitted by IMS; (2) incremental individual income tax revenue from wages and salaries earned for work in the MID or from purse money and prizes won for racing in the MID; and (3) an admissions fee imposed on race day admissions to IMS. It is estimated that at least \$575,000 will be allocated in FY 2014 and at least \$850,000 in FY 2015. The amount of revenue collected through these methods will increase as activity increases within the MID.

Motorsports Investment Programs: Additional Information -

Incremental Tax Capture: The bill captures the incremental sales tax and individual income tax from the MID to be used as a credit for loans issued by the IMC to IMS. The base sales and individual income tax amounts as well as the incremental amounts will be determined by the DOR. The incremental revenue that might be captured for this purpose is indeterminable.

Admissions Fee: The bill establishes an admission fee imposed on race day admissions to the IMS. The fee equals the applicable percentage specified below multiplied by the price of admission.

- 6% on admissions at least \$150.
- 3% on admissions at least \$100 but less than \$150.
- 2% on admissions less than \$100.

The admission fee revenue is deposited in the state General Fund and credited as part of the amount of the loan repaid by the IMS for the preceding fiscal year. The admission fee goes into effect after January 2014. The fee will increase state revenue by an estimated \$575,000 in FY 2014 and \$850,000 in FY 2015. The amount of revenue collected by the admission fee depends on admission prices, tickets purchased, and attendance at race day events.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR; IEDC; IFA; IHRC; SBA; State Budget Committee.

Local Agencies Affected:

Information Sources: LSA Unemployment Payroll Reporting (ES202) Database; Indianapolis Motor Speedway, Tickets, <http://www.indianapolismotorspeedway.com/indy500/>

Fiscal Analyst: Heath Holloway, 317-232-9867